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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

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SEP 16 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Honorable Toby Roth  
U.S. House of Representatives  
2234 Rayburn House Office Building  
Washington, D.C. 20515

DOCKET FILE COPY ORIGINAL

Dear Congressman Roth:

This letter is in response to the May 24, 1994 letter of your constituent Patrick Riordan, forwarded to us by your letter of June 6, 1994 to the Commission's Office of Legislative Affairs, regarding the competitive bidding award structure for emerging wireless technologies such as personal communications services (PCS). Mr. Roth's letter specifically addressed the need for separate PCS license blocks for small businesses and rural telephone companies.

At its June 29, 1994 agenda meeting, the Commission adopted service-specific rules for broadband PCS, including a "Competitive Opportunity Plan" that establishes two "entrepreneurs' blocks" for smaller businesses including small rural telephone companies. These blocks together consist of 986 licenses, which will be authorized within Basic Trading Areas (BTAs). Eligibility for these blocks will be limited to entities, including rural telephone companies, that have annual gross revenues of less than \$125 million and total assets of less than \$500 million, in order to safeguard for small businesses the ability to participate in the auctions without competition from the largest of companies. Within the entrepreneurial blocks, the Commission established a range of provisions to address the most challenging barrier to entry by designated entities -- that is, access to capital. These provisions include bidding credits, installment payment plans, tax certificates and relaxed attribution standards. For example, within the entrepreneurs' blocks, businesses with less than \$40 million in gross revenues for the three preceding years (including revenues of their affiliates) are eligible for bidding credits of 10 percent, and small businesses owned by women or minorities are eligible for bidding credits of 25 percent. In addition, bidders in the entrepreneurs' blocks will receive a 25 percent discount from the ordinary upfront payment. Furthermore, most winning bidders within the entrepreneurs' blocks may pay for their licenses in installments, thus deferring payments of principal on their debt to the government. In addition, the Commission recently proposed a similar Competitive Opportunity Plan for the auctions that will award certain regional narrowband PCS licenses.

The Commission also established rules permitting rural telephone companies to obtain broadband PCS licenses that are geographically partitioned from larger PCS service areas. Rural telephone companies: (1) may form bidding consortia to participate in auctions, and then partition the licenses won among consortia participants, or (2) may acquire partitioned broadband PCS licenses from other licensees through private negotiation and agreement

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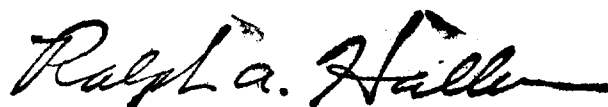
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Honorable Toby Roth

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either before or after the auction. These rules will provide a viable opportunity for rural telephone companies to provide rapid service to their rural wireline telephone service areas. If you would like additional information, feel free to call Julia Kogan of my staff at (202) 632-7125.

Sincerely,

A handwritten signature in cursive script, reading "Ralph A. Haller". The signature is written in dark ink and has a fluid, connected style.

**Ralph A. Haller**  
Chief, PCS Task Force &  
Chief, Private Radio Bureau

# Congressional

DUE OBC: 6/24/94

## CONGRESSIONAL CORRESPONDENCE TRACKING SYSTEM 06/16/94

### LETTER REPORT

CONTROL NO.	DATE RECEIVED	DATE OF CORRESP	DATE DUE	DATE DUE OLA(857)
9402740	06/16/94	06/06/94	07/06/94	

TITLE	MEMBERS NAME	REPLY FOR SIG OF
Congressman	Toby Roth	BC

CONSTITUENT'S NAME	SUBJECT
Patrick Riordan	inquiry re: auction proposal

REF TO	REF TO	REF TO	REF TO
PRE <i>6/17</i>			
DATE	DATE	DATE	DATE
06/16/94			

REMARKS:

TOBY ROTH  
EIGHTH DISTRICT  
WISCONSIN

2234 RAYBURN BUILDING  
WASHINGTON, D.C. 20515

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United States  
House of Representatives

June 6, 1994

PCS  
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FOREIGN AFFAIRS COMMITTEE  
ECONOMIC POLICY, TRADE AND ENVIRONMENT  
ASIAN AND PACIFIC AFFAIRS  
BANKING, FINANCE AND  
URBAN AFFAIRS COMMITTEE  
GENERAL OVERSIGHT AND  
INVESTIGATIONS  
ECONOMIC GROWTH AND  
CREDIT FORMATION

Ms. Linda Townsend Solheim  
Director, Legislative Affairs  
Federal Communications Commission  
1919 M Street NW Rm 808  
Washington, D.C. 20554-0001

Dear Ms. Solheim:

Enclosed please find correspondence I have recently received from my constituent Patrick Riordan of DePere, Wisconsin.

I would greatly appreciate it if you could respond to the concerns expressed. Please address your reply to the attention of Lisa Schwarz in my Washington office.

Thank you very much for your kind assistance.

Sincerely,

Handwritten signature of Toby Roth in black ink.  
Toby Roth  
Member of Congress

TR:lks

# New-Cell Inc.

May 24, 1994

VIA FAX AND FEDERAL EXPRESS

Commissioner Rachelle Chong  
Federal Communications Commission  
1919 M Street, NW  
Washington DC 20554

Dear Commissioner Chong:

I am writing to express my concerns related to possible changes in the PCS auction rules as it relates to rural America.

Telecommunications has been delivered to rural areas by small local companies. Small telcos have, over the past 100 years, built excellent communication systems for America in areas that Bell was not interested in serving. When cellular was delivered to America, again, small local companies were there to provide much of rural America with wireless services, helping to make cellular ubiquitous throughout America. Now we will soon see PCS being brought to cities and towns. It has the promise of bringing new innovative services to every sector of our nation and, once again, small communication companies are more than willing to bring it to their home areas in rural America. But will they be given the chance?

It is rumored that small businesses and rural telcos will not be given a set-aside that would give them a chance to provide PCS. Moreover, the winners in the upcoming auction may have to serve only 33% of the population in the first five years and then only 66% within 10 years. This would ensure that rural America would not have its best communication players offering PCS and that large companies are able to stockpile spectrum in the rural areas that they would not serve due to economic feasibility. Somehow having large companies buy up the PCS spectrum through the auction process and then requiring them to serve less than 20% of America doesn't seem right, especially when at the same time you keep the small companies that have the expertise, desire and willingness to serve rural America, out of the process.

Yes, the rural communication companies do have the expertise and infrastructure to provide PCS. Yes, the rural communication companies do have the lower overhead to be profitable in areas that large companies cannot. Yes, the rural communication companies may need PCS to remain viable and certainly current for their rural

Commissioner Rachelle Chong  
May 24, 1994  
Page 2

customers. Yes, these rural communication companies cannot compete in the checkbook auctioning with large companies, which means in order for them to participate, a set-aside is needed. Finally, yes, America will lose out if these small communication companies with their expertise, innovation, lower overhead and desire to serve their local markets are left out.

The FCC must do what is best for all America. Shutting out the most proven, most trusted rural communication companies through the PCS auctioning process will not benefit rural America.

Respectfully submitted,

*Patrick D. Riordan*

Patrick D. Riordan  
President  
New-Cell, Inc.

✓  
PDR:lmv

bcc: Toby Roth